

# HUD PD&R Regional Reports

## Region 10: Northwest

### Quick Facts About Region 10



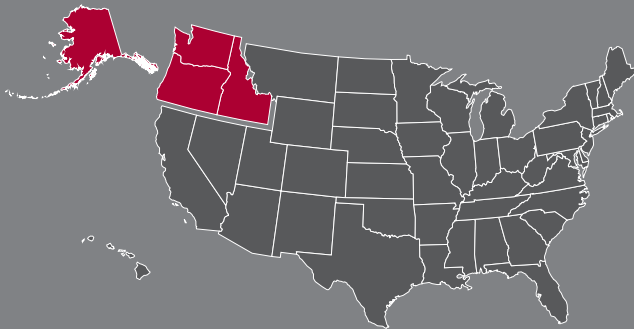
#### Sales market conditions—

Third quarter 2016: tight.  
Second quarter 2016: tight.  
Third quarter 2015: tight.



#### Apartment market conditions—

Third quarter 2016: mixed (very tight to slightly tight).  
Second quarter 2016: mixed (tight to balanced).  
Third quarter 2015: mixed (tight to very tight).



Anchorage, Alaska

By Tom Aston | 3rd quarter 2016

### Overview

The economy of the Northwest region has experienced an uninterrupted economic expansion for more than 5 years, and the rate of nonfarm payroll growth has surpassed that of the nation since 2013. During the third quarter of 2016, nonfarm payroll growth accelerated to 3.0 percent compared with 2.8 percent during the third quarter of 2015, with job gains in every state but Alaska. The sales housing market in the region was tight during the third quarter of 2016, with total home sales increasing 4 percent, the average price of a home sold increasing 8 percent, and a very low supply of homes for sale in all major metropolitan areas. Apartment market conditions were mixed, with vacancy rates observed from a low of 1.5 percent in Anchorage to a high of 4.5 percent in Boise, and rents increasing except in Anchorage, from 2 percent in Kennewick-Pasco-Redland to 9 percent in Seattle.

- The education and health services and the professional and business services sectors led regional payroll gains. Job growth in Idaho, Oregon, and Washington was strong enough to offset a decline in Alaska, making the Northwest region the fastest-growing region in the country in percentage terms.
- As of September 2016, the inventory of for-sale homes was below a 3.3-month supply in every major metropolitan area in the region, and active listings of homes for sale were down by an average of 12 percent from a year earlier despite an 8-percent increase in the average home sales price.
- Multifamily construction activity in the region, as measured by the number of units permitted, was at a record quarterly high during the third quarter of 2016.



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In the Northwest region, job growth occurred in every sector except manufacturing.

	Third Quarter		Year-Over-Year Change	
	2015 (thousands)	2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	5,993.9	6,173.1	179.2	3.0
Goods-producing sectors	932.6	946.9	14.3	1.5
Mining, logging, and construction	363.6	383.4	19.8	5.4
Manufacturing	569.0	563.5	- 5.5	- 1.0
Service-providing sectors	5,061.3	5,226.2	164.9	3.3
Wholesale and retail trade	932.9	958.1	25.2	2.7
Transportation and utilities	208.2	216.7	8.5	4.1
Information	166.6	175.4	8.8	5.3
Financial activities	291.6	301.5	9.9	3.4
Professional and business services	741.7	774.6	32.9	4.4
Education and health services	848.1	881.1	33.0	3.9
Leisure and hospitality	639.0	654.6	15.6	2.4
Other services	214.1	222.4	8.3	3.9
Government	1,019.2	1,041.9	22.7	2.2

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

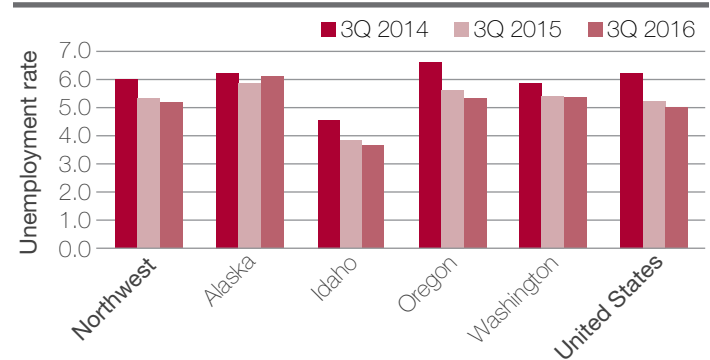
## Economic Conditions

The economy of the Northwest region expanded during the third quarter of 2016, furthering a trend of continuous year-over-year job growth that began during the first quarter of 2011. Nonfarm payrolls increased at an average annual rate of 3.0 percent from the third quarter of 2015 to the third quarter of 2016, making it the fastest-growing region in the country in percentage terms. The addition of 179,200 jobs brought regional nonfarm payrolls to a quarterly average of 6.17 million jobs. By comparison, during the early part of the economic recovery from 2012 through 2014, nonfarm payroll growth averaged 2.4 percent a year. The education and health services, professional and business services, and wholesale and retail trade sectors drove job growth in the region, comprising more than 50 percent of the net job gains during the third quarter of 2016 by adding averages of 33,000, 32,900, and 25,200 jobs, increases of 3.9, 4.4, and 2.7 percent, respectively. Increased single-family and commercial building activity throughout the region contributed to a gain of 19,800 jobs, or 5.4 percent, in the mining, logging, and construction sector, which was the fastest-growing sector, measured in percentage terms, in the region. These gains were partially offset by a decline of 5,500 jobs, or 1.0 percent, in the manufacturing sector, largely a result of job losses in the aerospace product and parts manufacturing subsector. The regional unemployment rate averaged 5.2 percent during the third quarter of 2016, down slightly from 5.3 percent a year earlier.

During the third quarter of 2016—

- Nonfarm payrolls in Alaska declined by 1,200 jobs, or 0.3 percent, compared with the number of jobs recorded a year earlier,

Idaho was the only state in the Northwest region with a lower unemployment rate than the United States.



3Q = third quarter.

Source: U.S. Bureau of Labor Statistics

making it the only state in the region and one of only six states in the country to lose jobs during this time. Job losses were greatest in the mining, logging, and construction and the professional and business services sectors, down by 3,200 and 2,300 jobs, or 8.3 and 7.3 percent, respectively. Part of the slowdown was because of declining oil prices, which led to reduced oil exploration and drilling activity. Job growth in the education and health services and the leisure and hospitality sectors of 2,200 and 1,500 jobs, or 4.6 and 3.5 percent, respectively, offset some of these losses.

- In Idaho, nonfarm payrolls averaged 701,200 jobs, a gain of 21,100 jobs, or 3.1 percent, from the same period a year ago, with job growth occurring in every sector of the economy.

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By comparison, nonfarm payrolls increased by an average of 19,400 jobs, or 2.9 percent, from the third quarter of 2014 to the third quarter of 2015. Nonfarm payroll growth was greatest in the mining, logging, and construction sector, which increased by 3,500 jobs, or 7.9 percent, entirely attributable to the construction subsector, which increased by 3,700 jobs, or 9.1 percent.

- Oregon reported the fastest nonfarm payroll growth rate in the region and nation at 3.4 percent. Nonfarm payrolls averaged 1.84 million, reflecting a gain of 61,400 jobs from the same period a year ago. The professional and business services and the education and health services sectors added 17,600 and 11,700 jobs, or 7.6 and 4.6 percent, respectively, from a year ago, accounting for nearly 50 percent of total job growth. Manufacturing sector payrolls declined by 1,000 jobs, or 0.5 percent.
- Washington had the greatest job gains in the region in numerical terms, adding 97,900 jobs, an increase of 3.1 percent, for a total

of 3.27 million jobs. Both the education and health services and the wholesale and retail trade sectors added 16,900 jobs, increases of 3.8 and 3.4 percent, respectively. Notable job growth occurred in the construction subsector, up 14,500 jobs, or 8.1 percent, and in the professional and business services sector, up 14,700 jobs, or 3.7 percent. The manufacturing sector was the only sector to lose jobs, down 5,600 jobs, or 1.9 percent, largely because of layoffs at The Boeing Company.

- The unemployment rates in Idaho and Oregon each declined by 0.2 percentage point from the third quarter of 2015 to the third quarter of 2016, to 5.4 and 3.6 percent, respectively. Idaho continued to report the lowest rate in the region, a trend which began in the fourth quarter of 2013. The unemployment rate was unchanged in Washington at 5.4 percent, but weak economic conditions in Alaska caused the rate to increase from 5.8 to 6.1 percent.

## Sales Market Conditions

For the seventh consecutive quarter, the sales housing market was tight in the Northwest region. During the 12 months ending September 2016, 297,300 new and existing homes (single-family homes, townhomes, and condominiums) sold, a 4-percent increase from the previous 12 months (CoreLogic, Inc., with adjustment by the analyst). The average price of a home sold increased 8 percent, to \$315,500. Existing home sales increased 6 percent, to 249,900 homes sold, and the average price increased 7 percent, to \$314,200. New home sales increased 11 percent, to 25,400, during the 12 months ending September 2016, accounting for 9 percent of total home sales compared with 8 percent during the previous 12 months. The average price of a new home sold was \$416,500, up 7 percent. Real estate owned (REO) sales declined 18 percent, to 22,225 homes, but the average sales price of an REO home increased 6 percent, to \$209,800. REO home sales accounted for 8 percent of existing home sales, relatively unchanged from a year earlier.

Steady nonfarm payroll growth contributed to a tight sales housing market in Idaho leading the region in the percentage increase in both existing and new home sales. During the 12-month period ending September 2016, existing home sales increased 9 percent, to 41,750, and new home sales increased 24 percent, to 5,400. The average price of an existing home sold increased 7 percent, to \$232,300, and the average price of a new home sold increased 5 percent, to \$263,000. Sales of REO properties declined 21 percent, to 2,800, and the average price was unchanged from a year earlier at \$191,200. REO sales accounted for 7 percent of existing homes sold compared with 9 percent a year earlier. In Boise and Coeur d'Alene, new and existing home sales increased 12 and 11 percent, to 22,250 and 6,325 homes sold, respectively, and

accounted for 68 percent of total home sales in Idaho. The average sales price increased 6 percent, to \$256,800, in Boise but declined 1 percent, to \$247,800, in Coeur d'Alene. The sales housing market in Boise is tight, with a 1.8-month supply of for-sale inventory compared with a 2.0-month supply a year earlier.

The sales housing market is tight in Oregon, with major metropolitan areas showing unsold inventory ranging from a 2.0-month supply in Eugene to a 3.4-month supply in Bend as of September 2016. During the 12 months ending September 2016, sales of existing homes increased 3 percent, to 72,750 homes sold, and the average price increased 10 percent, to \$301,700. Sales of new homes increased 18 percent, to 6,100 homes sold, and the average price increased 17 percent, to \$394,500, the greatest percentage increase in the region. REO property sales accounted for 10 percent of existing homes sold compared with 9 percent a year earlier and decreased 1 percent, to 7,100 properties sold at an average price of \$202,600, a 15-percent increase from a year earlier. Mainly because of strong job growth, new and existing home sales in Salem increased 12 percent, to 7,625, and the average price of a home sold increased 10 percent, to \$215,300. The robust increase in sales led to a decline of the for-sale inventory to a 3.0-month supply as of September 2016 compared with a 4.3-month supply in September 2015.

The Washington sales housing market is tight. During the 12 months ending September 2016, existing home sales in Washington increased 8 percent, to 123,600 homes sold, with an average price of \$351,500, up 9 percent from a year earlier. As of September, the unsold inventory of for-sale homes ranged from a 1.0-month supply in Tacoma to a 2.4-month supply in Spokane.

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New home sales increased 5 percent, to 13,200, and the average price of a home sold was \$494,300, up 12 percent and the highest average price for new home sales in the region. REO property sales declined by the greatest percentage in the region in Washington, down 24 percent to 11,550 properties sold, but the average price increased 12 percent, to \$233,300. REO sales accounted for 9 percent of existing home sales, down from 12 percent a year earlier. New and existing home sales in Olympia increased 9 percent, slightly above the state average increase, to 5,600 homes sold, and the average price increased 6 percent, to \$262,300.

In Alaska, during the 12 months ending September 2016, declining nonfarm payrolls contributed to sluggish existing home sales. At 11,850, sales of existing homes decreased 3 percent from a year earlier, but the average price of a home sold increased 2 percent, to \$279,900. New home sales decreased 1 percent, to 725 homes sold, and the average price increased 2 percent, to \$369,100. Sales of REO properties decreased 21 percent, to 800 properties, and accounted for 6 percent of existing home sales compared with 8 percent a year earlier. The average price of an REO property sold was \$206,400, a decrease of 1 percent from a year earlier. Sales trends in Anchorage, where more than one-half of the households in the state work and live, were nearly identical to those for the whole state, reflecting relatively soft sales market conditions.

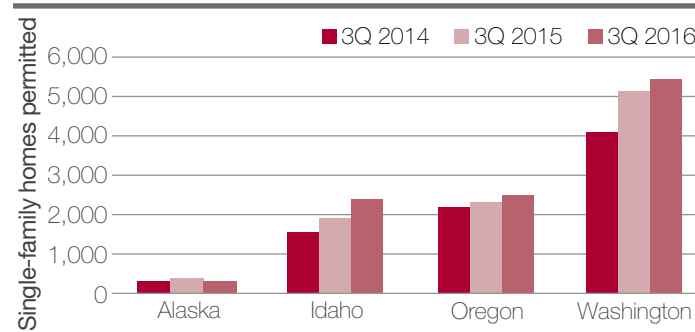
Steady job growth in Idaho, Oregon, and Washington led to a decrease in the rate of seriously delinquent loans (90 or more days delinquent or in foreclosure) and REO properties in the region. As of August 2016, 2.5 percent of home loans were seriously delinquent or had transitioned into REO status, down from 3.3 percent in August 2015; at the same time, the U.S. rate decreased from 4.2 to 3.5 percent. The share of seriously delinquent loans and REO properties decreased from 3.5 to 2.5 percent in Washington, from 2.7 to 2.1 percent in Oregon, and from 2.6 to 2.0 percent in Idaho, and in Alaska the share was unchanged from August 2015 at 1.9 percent.

During the third quarter of 2016 (preliminary data)—

- In the Northwest region, single-family construction activity increased 10 percent, or by 975, to 10,530 homes permitted compared with an increase of 19 percent, or 1,500 homes, during the previous year.
- Strong demand for new homes in Idaho led single-family home permitting activity to increase 26 percent, or by 500 homes, to 2,375, the greatest percentage increase in the region. Three counties accounted for 74 percent of the single-family homes permitted in the entire state: Ada in the Boise metropolitan area, Canyon in the Nampa-Caldwell metropolitan area, and Kootenai in the Coeur d'Alene metropolitan area.
- The number of single-family homes permitted in Oregon and Washington increased 7 percent each, or by 160 and 340

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### Idaho led the Northwest region with a 25-percent increase in single-family home permitting.



3Q = third quarter.

Note: Based on preliminary data.

Source: U.S. Census Bureau, Building Permits Survey

### Among Northwest region metropolitan areas, home sales increases were most robust in Boise, Couer d'Alene, Olympia, and Salem.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2015	2016	Percent Change		2015 (\$)	2016 (\$)	Percent Change
Anchorage (N&E)	September	9,125	8,800	- 4	AVG	294,300	301,100	2
Boise (N&E)	September	19,950	22,250	12	AVG	242,100	256,800	6
Coeur d'Alene (N&E)	September	5,675	6,325	11	AVG	251,000	247,800	- 1
Kennewick (N&E)	September	5,525	5,700	3	AVG	218,100	233,300	7
Olympia (N&E)	September	5,125	5,600	9	AVG	247,100	262,300	6
Portland (N&E)	September	51,000	52,200	2	AVG	317,750	350,800	10
Salem (N&E)	September	6,825	7,625	12	AVG	215,300	236,500	10
Seattle (N&E)	September	72,800	74,150	2	AVG	423,300	463,800	10

AVG = average. N&amp;E = new and existing.

Note: Includes single-family homes, townhomes, and condominiums.

Source: CoreLogic, Inc.





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homes, to 2,450 and 5,475, respectively, from the third quarter of 2015. Deschutes County (in the Bend metropolitan area) led all counties in Oregon with 460 single-family homes permitted. In Washington, single-family permitting was dispersed among the major metropolitan areas of the state.

- Weak economic conditions in Alaska led to a 5-percent decline in the number of single-family homes permitted, to 250 homes, from a year earlier, the second consecutive third quarter decline in permitting activity. Single-family home permitting in Anchorage accounted for 75 percent of the state total.

## Apartment Market Conditions

Apartment markets in the major metropolitan areas of the Northwest region were mixed, ranging from very tight to slightly tight. In Anchorage, Bellingham, Portland, and Salem, apartment markets were very tight, with vacancy rates between 1.5 percent in Anchorage and 3.0 percent in Bellingham and Portland. Vacancy rates were slightly higher in Boise, Kennewick, and Seattle, ranging from 4.0 to 4.5 percent. Rent growth was greatest in Seattle and Portland, at 9 and 8 percent, respectively, as nonfarm payroll and population growth in both metropolitan areas was strong. Rents increased 3 percent each in Bellingham, Boise, and Salem and 2 percent in Kennewick. In Anchorage, the average apartment rent declined 1 percent despite a 1.5-percent vacancy rate, but since 2014, when the impact of declining oil prices began, rents have been relatively stable, averaging \$1,228 while the apartment vacancy rate averaged 2.0 percent.

Demand is robust in Portland, where 5,740 units have been absorbed since the third quarter of 2015 compared with the nearly 2,500 units absorbed from the third quarter 2014 through the third quarter of 2015 (MPF Research). As of the third quarter of 2016, approximately 8,700 units were under construction. Likewise, in Seattle, absorption has been very strong, with 11,474 units leased up since the third quarter of 2015, the third consecutive year in

which absorption has exceeded 10,000 units. Currently, 21,350 units are under construction, 15,300 of which are expected to arrive on the market by the end of the third quarter of 2017.

Average annual nonfarm payroll growth of 3,500 jobs, or 2.4 percent, in Salem during the past 4 years has contributed to low apartment vacancy rates, which have averaged 2.4 percent since 2012. New construction of apartment complexes has been slow during that period, averaging 85 units a year. Development of new apartment complexes increased recently, with the completion of 315 units since the third quarter of 2015. Currently, approximately 500 units are under construction, with 340 units expected to be complete by the end of 2016.

Robust absorption, rising rents, and tight apartment market conditions combined to increase the pace of apartment development activity Idaho, Oregon, and Washington.

During the third quarter of 2016 (preliminary data)—

- Approximately 9,350 multifamily units were permitted in the Northwest region, a 12-percent, or 1,025-unit, increase from a year earlier and the greatest number of third quarter units permitted on record.

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**Average rents increased at a higher rate in Portland and Seattle than in other major metropolitan areas in the Northwest region.**

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2015 (%)	3Q 2016 (%)	Percentage Point Change	3Q 2015 (\$)	3Q 2016 (\$)	Percent Change
Anchorage <sup>a</sup>	Very tight	2.0	1.5	- 0.5	1,134	1,127	- 1
Bellingham <sup>a</sup>	Very tight	2.5	3.0	0.5	846	870	3
Boise <sup>a</sup>	Slightly tight	3.8	4.5	0.7	783	803	3
Kennewick <sup>a</sup>	Slightly tight	4.3	4.2	- 0.1	873	894	2
Portland <sup>b</sup>	Very tight	2.5	3.0	0.5	1,167	1,259	8
Salem <sup>a</sup>	Very tight	2.4	2.7	0.3	768	794	3
Seattle <sup>c</sup>	Slightly tight	4.1	4.0	- 0.1	1,451	1,588	9

3Q = third quarter.

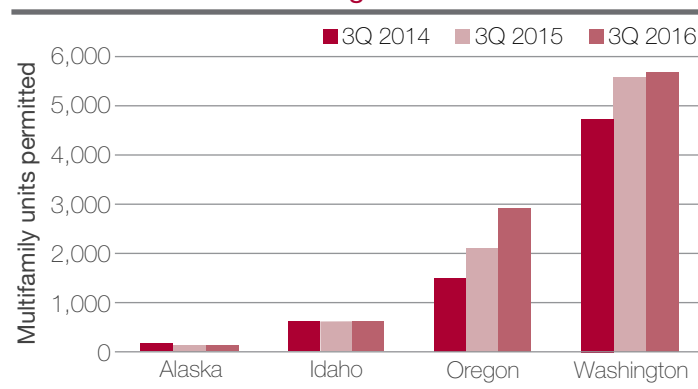
Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) Reis, Inc.; (b) MPF Research; (c) *Apartment Insights*



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- The number multifamily units permitted in Oregon increased 41 percent, to 2,925, exceeding the peak number of third quarter units permitted in 2004 by 29 percent. In Idaho, multifamily permitting increased 7 percent, to 600 units, also the greatest number of units permitted since 2004. Nearly one-half of the units permitted in Oregon and Idaho were in Multnomah County in the Portland metropolitan area and Ada County in the Boise metropolitan area.
- In Washington, 5,675 multifamily units were permitted, up 1 percent from a year earlier and the greatest number of multifamily units permitted since the third quarter of 2006. Slightly more than 80 percent of multifamily permitting activity in the state occurred in King County in the Seattle-Bellevue metropolitan area.
- Multifamily construction activity increased 39 percent, to 145 units permitted, in Alaska, resulting in a third quarter average of 120 units from 2012 through 2016 compared with a third quarter average of just 64 units from 2008 through 2011. Anchorage Municipality and Juneau City and Borough accounted for 68 percent of the multifamily units permitted in the state.

**Multifamily construction activity, as measured by the number of units permitted, increased in all four states in the Northwest region.**



3Q = third quarter.

Note: Based on preliminary data.

Source: U.S. Census Bureau, Building Permits Survey